

# Memorandum

To: Panel Members Date: April 24, 2003

From: Diana Torres, Manager  
Peter DeMauro, General Counsel Analyst: J. Davey

Subject: One-Step Agreement for **Recot Inc., d.b.a. Frito-Lay Inc.**  
(www.fritolay.com)

## **CONTRACTOR:**

- Training Project Profile: Retraining: Companies with Out-of-State Competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
  - Company Wide: 100,000
  - In California: 4,000
- Fringe Benefits: Yes
- Union Representation: Yes
- Name and Local Number of Union representing workers to be Trained: N/A

## **CONTRACT:**

- Program Costs: \$511,420
- Substantial Contribution: \$153,426
- Total ETP Funding: \$357,994
- In-Kind Contribution: \$681,696
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Bernardino
- Duration of Agreement: 24 months

### **SUBCONTRACTORS:**

All training and administration will be conducted by Recot Inc., d.b.a. Frito-Lay Inc. personnel.

### **THIRD PARTY SERVICES:**

The applicant states that consultant services have not and will not be used.

### **PRIOR PROJECTS:**

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

Agreement No.	Location (City)	Term	Agreement Amount	Amount Earned	% Earned
ET7-0020	Irvine	09/06/96 – 09/05/98	\$202,472	\$8,840	4%
ET8-0614	Visalia	12/01/97 – 08/31/99	\$125,760	\$97,256	77%
ET9-1018	Modesto	04/05/99 – 04/04/01	\$186,336	\$89,360	48%
ET01-0197	Rancho Cucamonga	12/18/00 – 12/17/02	\$445,736	*\$365,376	82%

**ET7-0020:** During 1997, the Rancho Cucamonga facility underwent several unforeseen changes, including significant technological upgrades and site expansion. These events delayed some training modules and rendered other training modules unnecessary. Also, trainees in the sales group were restructured, which resulted in reduced trainee numbers and a delay of their training beyond the term. In addition, training tracking and documentation were poorly executed. However, some training was eventually completed, but could not be compensated. As a result, the Contractor invoiced only for ETP funds that had been earned totaling \$8,840 or 4 percent of the amount encumbered.

**ET9-1018:** In the final Monitoring Report, dated 6/1/01, the Contractor stated that the administrative subcontractor did not have sufficient knowledge of ETP Regulations and policies; therefore, the subcontractor did not optimally plan the training. As a result, the Contractor trained and retained fewer trainees than planned.

**\*ET01-0197:** (Rancho Cucamonga) Frito-Lay submitted final and closeout invoices on 3/12/03 for a total of 472 trainees. Final reimbursement is expected to be at least \$365,376.

### **ACTIVE PROJECTS:**

The following are current project statistics:

Agreement No.	Term	Agreement Amount	Number To be Retained	Number Enrolled	Number Completed Training	Number retained for 90 days
ET01-0365	06/30/01 – 06/29/03	\$160,810	165	192	0	0

**ACTIVE PROJECTS:** (continued)

Agreement No.	Term	Agreement Amount	Number To be Retained	Number Enrolled	Number Completed Training	Number retained for 90 days
ET02-0144	10/08/01 – 10/07/03	\$414,440	367	463	7	0
ET02-0185	11/26/01 – 11/25/03	\$109,944	83	75	0	0
ET02-0204	12/24/01 – 12/23/03	\$420,422	516	411	102	102
ET02-0207	12/24/01 – 12/23/03	\$162,340	145	145	25	25
ET02-0348	06/03/02 – 06/02/04	\$226,550	302	223	0	0

**ET01-0365:** (La Mirada: 16 Southern California distribution centers) According to the most recent Monitoring Report, 120 trainees (98 percent) have completed training and are in the 90-day retention period.

**ET02-0144:** (Bakersfield) According to the most recent Monitoring Report, 27 trainees (6 percent) have completed training and are in the 90-day retention period with 4 months of training remaining.

**ET02-0185:** (Manteca: 10 Northern California distribution centers) 88 percent of the total number to be retained have been enrolled.

**ET02-0204:** (Modesto) According to the most recent Monitoring Report, 110 trainees (24 percent) have completed training and 13 (3 percent) trainees have completed the 90-day retention period.

**ET02-0207:** (Visalia) According to the most recent Monitoring Report, 122 trainees (84 percent) have enrolled in training and 29 (20 percent) trainees have completed the 90-day retention period.

**ET02-0348:** (Irvine) According to the most Recent Monitoring report, trainees have completed an average of 22.4 percent of the training.

**NARRATIVE:**

This is the 12<sup>th</sup> Frito-Lay project to come before the Panel and the 11<sup>th</sup> project within the last five years.

Recot Inc., d.b.a. Frito-Lay Inc. has 100,000 employees worldwide, 4,000 in California in various offices, plants, and distribution centers. Frito-Lay produces and distributes a wide range of snack foods, including Lay's Potato Chips, Doritos, Tostitos, Fritos, Sun Chips, Ruffles, and Rold Gold Pretzels.

Title 22, California Code of Regulations, Section 4416 (b), Out-of-State Competition, states in part that “a company engaged in manufacturing is deemed to meet the out-of-state competition requirement for purposes of Panel funding if that company meets the definition of Division D, Manufacturing as contained in the Standard Industrial Classification (SIC) Manual.” As a manufacturer of food products, Recot Inc., d.b.a. Frito-Lay Inc. meets the definition of having out-of-state competition.

Frito-Lay moved into Rancho Cucamonga in 1970 that now includes 10 production lines making only corn-based snack products, employing over 600 people. Company representatives state that in 1992, Rancho Cucamonga produced 43 million pounds of product. Since then, the output has more than doubled to over 90 million pounds of product in 2000.

**NARRATIVE:** (continued)

To ensure its continued success as a production facility in the competitive food processing business, it is essential for the company to implement new strategies and maintain a highly skilled and efficient work force. The new strategies include empowering the workforce with ownership of the production process so they can be decision-makers and problem-solvers. The best way to achieve company goals and implement new strategies is through employee training. The beginning of this long-term plan to provide the High Performance Workplace skills began in the previous ETP-funded Agreement.

In the previous Agreement, Frito-Lay provided the following training: Business Skills, Continuous Improvement, and Manufacturing Skills. These skills provided frontline workers basic Business Skills, called "Core 5" training, that enabled them to understand business basics, set goals, and handle greater responsibility. Continuous Improvement provided retrainees the basics of Building Individual Team Skills. Each employee had to understand how to contribute to the company's team effort to create a high performance workplace. Manufacturing Skills training was job specific training that demonstrated to retrainees how to assume their job responsibilities and then taught them how their jobs fit into the manufacturing effort as a whole. Upon completion of training, each worker gained an understanding of the entire manufacturing process and was able to utilize proper techniques on the job. Results from the training were that Frito-Lay decreased customer complaints, increased production, cut cost, decreased downtime, and maintained better safety records.

In this proposal, Frito-Lay wants to continue building on the foundation begun in the previous Agreement by providing training in the same skill areas but at higher skill levels. Having achieved base-line understanding of the business operations, the beginnings of working in teams, and the fundamentals of manufacturing techniques, retrainees are now ready to improve and expand on these same skills to achieve higher levels of performance. The new "Core 5" Business Skills training will provide retrainees the skills to set long-term goals, create business plans, and develop succession plans. The new Continuous Improvement Skills will provide retrainees skills in best practices, in-depth analysis for solving problems, leadership, and team development and assessment. Manufacturing Skills training will focus on performance based skills for each of the various job specific occupations: Operators, Packers, Maintenance, Sanitation, and Resource (Management/Supervisory) personnel. Upon completion of this training, retrainees will receive certification on their equipment and be considered experts on their equipment.

Under this proposal 562 full-time Handlers, Cooks, Crewing Coordinators, Drivers, Hostlers, Operators, Packers, and other production and Management/Supervisory personnel will receive from 60 to 150 hours of class/lab training in Business Skills, Continuous Improvement, and Manufacturing Skills. The curriculum is formatted in a menu-style based on the needs of each trainee. Qualified in-house instructors will provide all training and Frito-Lay will provide its own project administration.

**Supplemental Nature of Training**

Recent, non-ETP-funded training, includes environmental awareness, safety training, key performance measures, new employee orientation, and powered industrial trucks. This training was typically done on a one-on-one or small group basis. The proposed ETP-funded training will not duplicate or displace this training or previously funded ETP training. Frito-Lay states the proposed training would not occur in the same way, nor be delivered to as many retrainees, without ETP funding. Frito-Lay will continue to offer its employees additional training beyond the term of the Agreement.

**NARRATIVE:** (continued)

**In-Kind Contribution**

The estimated wages of employees paid during training will be approximately \$681,696.

**COMMENTS:**

**Substantial Contribution**

Title 22, California Code of Regulations, Section 4410(a) states in part that "A substantial contribution of not less than 30 percent of the total Panel training and administrative costs, exclusive of in-kind contributions and/or any other special contributions required by Panel, shall be imposed on any employer for retraining at a facility which previously benefited, directly or indirectly, from Panel funding under at least two prior Panel agreements at the same facility in the amount of \$250,000 or more." Additionally, the substantial contribution is applied only if both prior Agreements were within the last five years.

A substantial contribution has been applied to this Agreement, because Recot Inc., d.b.a. Frito-Lay, Inc., has benefited from Panel funding under at least two prior Panel Agreements at the same facility in the amount of \$250,000 or more.

**Frontline Workers**

Five hundred nineteen (519) retrainees in this proposal are frontline workers, as defined under Title 22, California Code of Regulations, Section 4400(ee). The remaining 43 retrainees, titled Resource, in this proposal are identified as Managers and Supervisors and represent 7.7% of the trainees.

**PROPOSED ACTION:**

Staff recommends that the Panel approve this One-Step Agreement if funds are available and the project meets Panel priorities. This recommendation is based on Recot Inc., d.b.a. Frito-Lay Inc.'s stated need to provide its employees with high performance workplace skills to enhance the company's ability to remain competitive and to grow. The implementation of this proposed training project will enable the company to remain viable in the California economy.

**TRAINING PLAN:**

<b>Grp/ Trainee Type</b>	<b>Types of Training:</b>	<b>No. Retain</b>	<b>No. Class/Lab Videocnf. Hrs</b>	<b>No. CBT Hrs</b>	<b>No. SOST Hrs.</b>	<b>Cost per Trainee</b>	<b>Hourly Wage after 90 days</b>
Job Number 1  Retrainees	Business Skills,  Continuous Improvement Skills,  Manufacturing Skills	562	60 –150	0	0	\$637	\$12.19 - \$28.00
					<b><u>Range of Hourly Wages</u></b> \$12.19 - \$28.00		
					<b><u>Prevalent Hourly Wage</u></b> \$17.00		
					<b><u>Average Cost per Trainee</u></b> \$637		
<b><u>Health Benefit used to meet ETP minimum wage:</u></b> Although the company pays health benefits for its employees, the hourly contribution is not being used to meet ETP minimum wage requirements.					<b><u>Turnover Rate</u></b> 5.5%	<b><u>% of Mgrs &amp; Supervisors to be trained:</u></b> 7.7%	

## Curriculum

Class/Lab Hours	Trainees will receive any of the following:
Job Number 1	<b>Business Skills</b> <ul style="list-style-type: none"> <li>• Business Basics 3</li> <li>• Business Planning Process</li> <li>• Business Planning Process (Cost, Quality, Service, and People)</li> <li>• Flight Plan Development Training</li> <li>• Goal Setting / Return on Investment (ROI)</li> <li>• New Business Basics 1</li> <li>• New Business Basics 2</li> <li>• New Performance Process</li> <li>• Running Right for Teams</li> <li>• Winning with Diversity</li> <li>• Return on Investment / ROI Action Plan</li> </ul>
60 – 150	<b>Continuous Improvement Skills</b> <ul style="list-style-type: none"> <li>• Best Practice / Dimension Expert Training</li> <li>• Building Individual Team Skills</li> <li>• Deep Dive Analysis</li> <li>• Continuous Improvement and Level 4 Teams</li> <li>• Continuous Improvement Assessment Process (CIAP) Teams</li> <li>• Conflict Training</li> <li>• Facilitation Skills Training</li> <li>• Frontline Leadership Training</li> <li>• Leadership Development Training</li> <li>• Leading Continuous Improvement (CI) Workshop</li> <li>• Leading Teams</li> <li>• Team Assessment</li> <li>• Team Development Plan Workshop</li> <li>• Team Assessor/Mentor Training</li> <li>• Walking the Talk Training</li> <li>• Train the Trainer Training</li> </ul>

Curriculum (continued)

Class/Lab Hours

Trainees will receive any of the following:

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### Manufacturing Skills

- Fried Cheetos Process Performance Based Training
- Inventory Control System Handheld Training
- Maintenance Performance Based Training
- Resource Development Training
- Operator Technical Certification
- Packer Performance Based Training
- Packaging Machine Operator Performance Based Training
- Quality Control Performance Based Training
- Sanitation Performance Based Training
- Tortilla Chip Performance Based Training
- Warehouse Performance Based Training